

August 8, 2007



Capstone Turbine Corporation Announces First Quarter Fiscal 2008 Operating Results

First Quarter Revenue of \$5.6 Million; Backlog Increases 6% and Inventory Decreases 7% from Prior Quarter

CHATSWORTH, Calif.--

Capstone Turbine Corporation(R) (www.microturbine.com) (NASDAQ:CPST), reported operating results for its first quarter ended June 30, 2007 in its Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 8, 2007.

Financial Summary

Capstone's revenue for the first quarter ended June 30, 2007 was \$5.6 million, a decrease of approximately 14% from the same period last year. The decline is attributable to lower than expected sales primarily in the North American and Asian markets.

Backlog at the end of the first quarter was \$5.3 million, an increase of approximately \$0.3 million, or 6% from the prior quarter but decreased approximately \$0.1 million, or 2% from the end of the prior year comparable quarter.

The reported gross loss for the first quarter was \$2.5 million, or 44% of revenue, compared to \$1.2 million, or 19% of revenue from the same period last year. The increase in gross loss was due to lower sales of higher margin C-60 series units and lower absorption of overhead costs into inventory offset by decreased costs for manufacturing, warranty and inventory charges. During the quarter inventory decreased \$1.6 million or 7% from the prior quarter.

Research and development costs were \$2.7 million for the first quarter, a decrease of \$0.1 million, or 2% from the same period last year. R&D expenses are reported net of benefits from cost-sharing programs. There were no such benefits this quarter and \$0.5 million for the same period last year. Overall net expenses were lower primarily due to lower labor and consulting spending, decreased development hardware, and reduced facilities expenses.

Selling, general and administrative costs were \$5.9 million for both the first quarter of fiscal 2008 and the same period last year. Reduced non-cash stock compensation was offset by increased labor related costs, professional services, travel, marketing, supplies and facility maintenance costs.

Capstone's net loss was \$10.4 million, or \$0.07 per share, for the first quarter, an increase of \$1.1 million from the \$9.3 million loss, or \$0.09 per share, reported for the same period last year.

Cash balances decreased by \$10.1 million during the first quarter of fiscal 2008. As of June 30, 2007, cash and cash equivalents were \$50.3 million.

Conference Call

The Company will host a conference call today, Wednesday, August 8, at 1:45 p.m. Pacific Time. Access to the live broadcast and a replay of the webcast will be available for 90 days through the Investor Relations page on the Company's website: www.microturbine.com.

About Capstone Turbine

Capstone Turbine Corporation (www.microturbine.com) (NASDAQ:CPST) is the world's leading producer of low-emission microturbine systems, and was the first to market commercially viable microturbine energy products. Capstone Turbine has shipped thousands of Capstone MicroTurbine(TM) systems to customers worldwide. Capstone Turbine is a member of the U.S. Environmental Protection Agency's Combined Heat and Power Partnership, which is committed to improving the efficiency of the nation's energy infrastructure and reducing emissions of pollutants and greenhouse gases. A UL-Certified ISO 9001:2000 certified company; Capstone Turbine is headquartered in the Los Angeles area with sales and/or service centers in New York, Mexico City, Milan, Nottingham, Shanghai and Tokyo.

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CAPSTONE TURBINE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)
(Unaudited)

	June 30, 2007	March 31, 2007
	-----	-----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 50,257	\$ 60,322
Accounts receivable, net of allowance for doubtful accounts and sales returns of \$789 at June 30, 2007 and \$789 at March 31, 2007	4,432	3,514
Inventories	19,439	21,283
Prepaid expenses and other current assets	1,722	1,614
	-----	-----
Total current assets	75,850	86,733
	-----	-----
Property, plant and equipment, net	5,904	6,256
Non-current portion of inventories	3,234	3,005
Intangible asset, net and other long-term assets	957	1,009
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Total	\$ 85,945	\$ 97,003
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable and accrued expenses	\$ 4,835	\$ 5,686
Accrued salaries and wages	1,064	1,434
Accrued warranty reserve	6,402	6,554
Deferred revenue	1,007	937
Current portion of notes payable	13	19
	-----	-----
Total current liabilities	13,321	14,630
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Long-term portion of notes payable	15	27
Other long-term liabilities	538	561
Stockholders' Equity:		
Preferred stock, \$.001 par value; 10,000,000 shares authorized; none issued	--	--
Common stock, \$.001 par value; 415,000,000 shares authorized; 144,551,787 shares issued and 144,000,431 shares outstanding at June 30, 2007; 144,512,997 shares issued and 143,961,789 shares outstanding at March 31, 2007	145	145
Additional paid-in capital	620,116	619,423
Accumulated deficit	(547,677)	(537,270)
Deferred stock compensation	--	--
Treasury stock, at cost; 551,356 shares	(513)	(513)
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Total stockholders' equity	72,071	81,785
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Total	\$ 85,945	\$ 97,003
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CAPSTONE TURBINE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,	
	2007	2006
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Revenue	\$ 5,615	\$ 6,566
Cost of goods sold	8,088	7,802
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Gross loss	(2,473)	(1,236)
Operating expenses:		
Research and development	2,749	2,806
Selling, general and administrative	5,893	5,915
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Total operating expenses	8,642	8,721
	-----	-----
Loss from operations	(11,115)	(9,957)
Interest income	710	627
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Loss before income taxes	(10,405)	(9,330)
Provision for income taxes	2	2
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Net loss	\$ (10,407)	\$ (9,332)
	=====	=====
Net loss per share of common stock -- Basic and Diluted	\$ (0.07)	\$ (0.09)

Weighted average shares used to calculate Basic and	=====	=====
Diluted net loss per share	144,000	103,323
	=====	=====

Source: Capstone Turbine Corporation